

STATEMENT
OF
DR. ROBERT E. MARTINEZ
DEPUTY MARITIME ADMINISTRATOR
ON
BEHALF OF
THE
MARITIME ADMINISTRATION
DEPARTMENT OF TRANSPORTATION
BEFORE THE
SUBCOMMITTEE ON MERCHANT MARINE
HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE
AND THE
SUBCOMMITTEE ON REGULATION, BUSINESS
OPPORTUNITIES, AND ENERGY
HOUSE SMALL BUSINESS COMMITTEE
ON
THE NATIONAL DEFENSE RESERVE FLEET
JULY 11, 1991

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MR. CHAIRMEN AND MEMBERS OF THE SUBCOMMITTEE ON MERCHANT MARINE AND THE SUBCOMMITTEE ON REGULATION, BUSINESS OPPORTUNITIES, AND ENERGY, I AM DR. ROBERT MARTINEZ, DEPUTY MARITIME ADMINISTRATOR IN THE DEPARTMENT OF TRANSPORTATION. WITH ME TODAY IS CAPTAIN MICHAEL DELPERCIO, DIRECTOR OF OUR OFFICE OF SHIP OPERATIONS.

THE ISSUE BEFORE YOUR SUBCOMMITTEES IS THE GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT PROVIDED ON JUNE 25, 1991, ENTITLED "STRATEGIC SEALIFT: PART OF THE NATIONAL DEFENSE RESERVE FLEET IS NO LONGER NEEDED." WE HAVE REVIEWED THE DRAFT REPORT AND I WILL SUMMARIZE AGENCY VIEWS. MORE DETAILED, OFFICIAL AGENCY COMMENTS WILL BE PROVIDED TO THE GAO IN THE NEAR FUTURE AND WILL ALSO BE INCORPORATED IN THE APPENDIX OF THE FINAL GAO REPORT.

THE NDRF WAS CREATED BY THE MERCHANT SHIP SALES ACT OF 1946 TO PROVIDE RESERVE SEALIFT CAPABILITY TO MEET SHIPPING REQUIREMENTS WHICH COULD ARISE DURING NATIONAL EMERGENCIES. WITHIN THE NDRF IS A SURGE COMPONENT, THE READY RESERVE FORCE

(RRF), CREATED IN 1976. THE NEED FOR THE RRF BECAME EVIDENT TO DOD AS THE PRIVATELY OWNED AND OPERATED U.S. MERCHANT MARINE DECLINED AND AS COMMERCIAL OPERATIONS BECAME MORE CONTAINERIZED. THE 94 SHIPS IN THE RRF ARE MAINTAINED FOR ACTIVATION IN 5, 10, OR 20 DAYS. THE RRF BUDGET REQUEST FOR FY 1992 IS \$225 MILLION. THE ROLE OF THE RRF WAS CLEARLY CONFIRMED IN THE RECENT MIDDLE EAST CRISIS. THIS SURGE FLEET IS IN SHARP CONTRAST TO THE BALANCE OF THE NDRF, OR THE NON-RRF VESSELS, AS REFERRED TO IN THE GAO REPORT, AND IS NOT A FOCUS OF TODAY'S HEARING.

NON-RRF SHIPS IN THE NDRF ARE PRIMARILY OLDER DRY CARGO SHIPS THAT COULD BE USED FOR FOLLOW-UP SUSTAINMENT OF DOD SEALIFT REQUIREMENTS. THESE NON-RRF SHIPS CAN BE MADE READY, AS SHOWN IN TEST ACTIVATIONS, IN 30 TO 120 DAYS AFTER ENTERING A SHIPYARD. HENCEFORTH, FOR PURPOSES OF TODAY'S HEARING, WHEN REFERRING TO THE "NDRF," I WILL BE REFERRING TO THE NON-RRF PORTION OF THE NDRF, WHICH IS ALSO THE CONVENTIONAL USAGE OF THE TERM. THE ADDITIONAL TIME REQUIRED FOR ACTIVATION OF NDRF VESSELS IS PRIMARILY BECAUSE THESE VESSELS ARE NOT KEPT IN CLASS WITH REGULATORY REQUIREMENTS. THEREFORE, EACH SHIP MUST BE PLACED ONTO A DRYDOCK DURING THE ACTIVATION PROCESS. THE LONGER PERIOD REQUIRED FOR DEPLOYMENT WILL PROVIDE ADDITIONAL TIME FOR CREW MEMBERS TO BE IDENTIFIED, ASSEMBLE AND, IF NECESSARY, BE TRAINED.

THE 30 TO 120 DAY AVAILABILITY OF THESE NDRF ASSETS IS WELL UNDERSTOOD AND ACCEPTED BY DOD. IN CONTRAST TO RRF SHIPS, MARAD

PERFORMS MINIMAL MAINTENANCE ON THESE VESSELS BEYOND MAINTAINING THEIR ON-BOARD DEHUMIDIFICATION EQUIPMENT AND UNDERWATER CATHODIC PROTECTION SYSTEMS. ON AVERAGE, COSTS ARE ABOUT \$14,000 ANNUALLY PER NDRF SHIP. PENDING THE RESULTS OF THE CONGRESSIONALLY MANDATED MOBILITY REQUIREMENTS STUDY (MRS) BEING CONDUCTED BY THE JOINT CHIEFS OF STAFF, BOTH DOD AND MARAD CONTINUE TO VIEW THE NDRF AS A LOW-COST, SECOND TIER OF RESERVE SEALIFT CAPABILITY. DOD HAS INDICATED THAT NDRF SHIPS WOULD BE USEFUL IN FULL MOBILIZATION DURING A NATIONAL EMERGENCY, AS REPLACEMENTS REQUIRED BY ATTRITION.

ONE IMPORTANT CONCLUSION IN THE GAO REPORT IS THAT, BASED UPON PHYSICAL INSPECTIONS BY THE AMERICAN BUREAU OF SHIPPING (ABS), NDRF SHIPS COULD BE ACTIVATED, OUTWARD APPEARANCES NOTWITHSTANDING. THE GAO REPORT ALSO NOTED THAT ABS SURVEYORS WHO CONDUCTED INSPECTIONS AGREED WITH MARAD FLEET OFFICIALS THAT THERE DID NOT APPEAR TO BE ANY SIGNIFICANT DETERIORATION IN INTERNAL SHIP SPACES RESULTING FROM SOME RECENT LAPSES IN MARAD'S DEHUMIDIFICATION PRACTICES. THESE INSPECTIONS AND SUBSEQUENT FINDINGS SUPPORT EXISTING MARAD MAINTENANCE PHILOSOPHY AND PRACTICES OF DEHUMIDIFICATION AND CATHODIC HULL PRESERVATION FOR THE NDRF. I CAN ASSURE YOU THAT ANY FUTURE DISCREPANCIES IN RECORDING HUMIDITY READINGS WILL BE ACCOMPANIED BY A FULL

AND WHICH WERE IN THE POOREST MATERIAL CONDITION. WHILE AGGRESSIVELY SEEKING TO PROCEED WITH A PRO-ACTIVE SCHEDULE OF DISPOSALS, MARAD WILL UTILIZE THESE ASSETS TO ENHANCE THE RETURN TO THE TAXPAYER. FOR EXAMPLE, LAST DECEMBER THE AGENCY WENT OUT FOR BID ON TWELVE VESSELS FOR DISPOSAL. UNFORTUNATELY, THE SCRAP MARKET HAS BEEN WEAK FOR SEVERAL MONTHS AND WE RECEIVED ADEQUATE OFFERS ON ONLY FOUR VESSELS. THEREFORE, WE SCRAPPED ONLY FOUR OF THE TWELVE OFFERED. WE RECENTLY ISSUED ANOTHER SOLICITATION FOR SCRAP DISPOSAL OF SIX VESSELS. BIDS ARE DUE BY AUGUST 14, 1991. THIS APPROACH IS PRECISELY THE PURPOSE FOR WHICH LAST YEAR'S SECTION 510(i) AMENDMENT IS INTENDED. IF THE MARKET IS NOT GOOD, HOLD OFF, AND TRY AGAIN. WE PLAN TO PROCEED EXPEDITIOUSLY IN THIS MANNER WITH SCRAPPING AS MARKET CONDITIONS PERMIT.

THE SUGGESTION IN THE GAO REPORT THAT MARAD ACCELERATE THE SCRAPPING PLAN IS NOT CONSISTENT WITH THE GAO FINDING THAT THIS LOW-COST RESERVE FLEET COULD, IN FACT, BE ACTIVATED SUCCESSFULLY IN EMERGENCIES. EQUALLY IMPORTANT, A DECISION NOW TO DISPOSE OF MANY SHIPS, REGARDLESS OF MARKET CONDITIONS, WOULD DEFEAT THE INTENT OF LAST YEAR'S AMENDMENT TO SECTION 510(i) THAT PROVIDED MARAD WITH MORE MANAGEMENT FLEXIBILITY TO SELL SHIPS WHEN THE SCRAP MARKET PRICE IS ADVANTAGEOUS.

MARAD IS NOT OPPOSED IN PRINCIPLE TO REVISITING THE EXTENT AND TIMING OF SCRAPPING PLANS FOR THE NDRF. IF ONE SINGLE LESSON WAS GARNERED FROM OPERATIONS DESERT SHIELD AND DESERT STORM, IT

WAS THAT SEALIFT IS ABSOLUTELY ESSENTIAL TO PROJECTING OUR NATION'S INTERESTS OVERSEAS. IF SUBSTANTIAL CHANGES ARE ENVISIONED FOR THE NDRF, THESE CHANGES WILL AND SHOULD COME ABOUT AS A RESULT OF THE MRS.

UNTIL DOD IS CERTAIN THAT NO FUTURE SCENARIO WILL CALL FOR THE USE OF NDRF SHIPS FOR FORCE SUSTAINMENT, IT IS PREMATURE FOR THE GOVERNMENT TO SUGGEST ACCELERATED DISPOSAL. THE MRS PROMISES TO BE A COMPREHENSIVE ASSESSMENT OF NATIONAL SEALIFT NEEDS THROUGH THE NEXT DECADE. I REFER TO GUIDANCE MARAD RECEIVED IN FEBRUARY OF THIS YEAR FROM THE DEPUTY CHIEF OF NAVAL OPERATIONS IN WHICH HE STATED "RETENTION SHIPS IN THE NDRF, INCLUDING THE VICTORY SHIPS, ARE STILL CONSIDERED OUR FINAL SOURCE FOR GOVERNMENT-OWNED RESERVE SEALIFT CAPACITY." UNTIL ADDITIONAL GUIDANCE ON STRATEGIC SEALIFT REQUIREMENTS IS PROVIDED UPON COMPLETION OF THE MRS STUDY, IT WOULD BE UNWARRANTED TO MAKE ANY FINAL DECISIONS TO ELIMINATE LOW-COST RESERVE SEALIFT ASSETS.

REGARDING MARAD PLANS TO CREW THE NDRF, GAO IS CORRECT IN NOTING THAT MARAD MAINTAINS ACTIVE LABOR AGREEMENTS FOR RRF VESSELS. AS A RESULT OF PREVIOUS ASSESSMENTS AND THE PERSIAN GULF EXPERIENCE, MARAD, DOD AND OTHERS ARE EVALUATING OPTIONS FOR ESTABLISHING A MANPOWER RESERVE PROGRAM. THIS IS A MUST. IN CONTRAST TO THE 5, 10, AND 20 DAY ACTIVATION TIMES FOR RRF VESSELS, THE EXPECTED 120 DAY TIME FRAME FOR ACTIVATION OF NDRF SHIPS WOULD ALLOW ADDITIONAL TIME TO WORK WITH SEAFARING UNIONS,

MARITIME ACADEMIES, U.S. OPERATORS, AND OTHERS TO IDENTIFY MANPOWER SOURCES AND TO ESTABLISH NEEDED SPECIAL TRAINING COURSES. MANY NDRF SHIPS ARE OF IDENTICAL DESIGN AND HAVE RELATIVELY SIMPLE PROPULSION AND OPERATING SYSTEMS WHICH WOULD FACILITATE EMERGENCY TRAINING. WHILE CREWING IS A MAJOR CONSIDERATION, MARAD DOES NOT BELIEVE IT TO BE AN INSURMOUNTABLE PROBLEM TO THE USE OF THE NDRF. A PRECIPITATED AND ILL-CONSIDERED DISPOSAL OF THE SHIPS IS NOT THE METHOD TO RESOLVE OR ELIMINATE CREWING CONCERNS AND WOULD ONLY CREATE NEW PROBLEMS.

AS I MENTIONED, MARAD ALREADY IS PURSUING AN AGGRESSIVE-- BUT MARKET FLEXIBLE--SCRAPPING SCHEDULE FOR THE NDRF, WHICH, IN FACT, CALLS FOR THE SCRAPPING OF ALL 116 NDRF RETENTION VESSELS BY THE YEAR 2000. GEARING THE SALES TO MARKET CONDITIONS ALLOWS MARAD TO PURSUE THE BEST PRICE.

TO SUMMARIZE, WE BELIEVE THE GAO REPORT CONFIRMS THAT THE NDRF HAS BEEN KEPT IN ADEQUATE CONDITION PERMITTING ACTIVATION IN 30 TO 120 DAYS, AND SUPPORTS WORLDWIDE COMPETITION FOR DISPOSAL SALES. NOTHING IN THIS REPORT ALTERS OUR POSITION THAT ONLY A DELIBERATE BUT AGGRESSIVE DISPOSAL PLAN GEARED TO SEALIFT REQUIREMENTS AND THE SHIPBREAKING MARKET SHOULD BE PURSUED FOR THE NDRF.

AS I STATED, MORE DETAILED AGENCY COMMENTS ON THE GAO REPORT WILL BE MADE AVAILABLE TO GAO. THIS CONCLUDES MY PREPARED STATEMENT.

I WILL BE GLAD TO ANSWER ANY QUESTIONS THAT YOU OR THE MEMBERS OF YOUR RESPECTIVE SUBCOMMITTEES MAY HAVE.

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